



ARIZONA STATE SENATE
Fifty-Second Legislature, Second Regular Session

FINAL AMENDED
FACT SHEET FOR H.B. 2635

municipalities; taxes and fees; notification

Purpose

Adds notification requirements for proposed municipal taxes and fees with specified exemptions.

Background

Arizona's Model City Tax Code (MCTC) is the document that standardizes what taxes a municipality can levy. Any changes to the MCTC must be approved by the Municipal Tax Code Commission and these changes must be adopted by all municipalities that have adopted the code (A.R.S. § 42-6053).

Each city can opt for what activities are taxable under the MCTC. However, if they choose to tax a particular activity, then it must be done in accordance with the MCTC. This provides uniformity among the various cities, while also retaining the right of individual cities and towns to determine the items taxed as well as the exemptions to be granted. Cities can also determine their own rates for different taxable activities.

A municipality that has adopted the MCTC is prohibited from adopting any modification or amendment unless the city or town holds a public hearing on the proposal. Notice of the hearing must be published at least 15 days before the hearing in a newspaper of general circulation. If, after receiving and considering all comments, the governing body proceeds with the proposed action, the modification or amendment may not become effective until at least 30 days after the hearing (A.R.S. § 42-6054).

Additionally, a municipality proposing a tax or fee is required to provide written notice of the proposal on the homepage of the municipality's website at least 60 days before the tax or fee is considered by the governing body of the municipality. These specified requirements do not apply to development fees to offset costs to the municipality for providing necessary public services to a development, including the costs of infrastructure, improvements, real property, engineering and architectural services, financing and professional services (A.R.S. § 9-463.05).

When the public interest or convenience requires, the governing body of a municipality may undertake public improvements including paving or repaving any street in the municipality, and constructing, reconstructing or repairing any sidewalks, crosswalks or curbs (A.R.S. § 48-5272).

There is no anticipated fiscal impact to the state General Fund associated with this legislation.

Provisions

1. Modifies requirements for a municipality by stipulating a schedule of a proposed new or increased tax or fee contains:
 - a) the tax or fee amount; and
 - b) a written report or data supporting the new or increased tax or fee which is filed in the office of the clerk of the municipality.
2. Modifies requirements that the schedule of a proposed new or increased tax or fee and the supporting report or data be published on the home page of the municipality's website.
3. Expands requirements for a municipality, establishing or increasing taxes or fees, to prepare a notice of intent containing:
 - a) the date, time and place of the meeting when the governing body of the municipality considers the proposed new or increased tax or fee; and
 - b) a statement that the schedule of a proposed new or increased tax or fee, including the tax or fee amount and the supporting written report or data, is available on the municipality's website.
4. Expands requirements that the notice of intent must be:
 - a) posted on the municipality's website at least 15 days before the date a proposed new or increased tax or fee will be considered by the governing board of the municipality; and
 - b) distributed, if utilized, through a municipality's social media accounts or other electronic communication tools.
5. Specifies if technological issues prevent posting of the notice on a municipality's website or distribution through social media or electronic communication tools, this does not preclude the governing body from approving or disapproving of a new or increased tax or fee at the specified meeting.
6. Stipulates all departments, boards or other subdivisions of a municipality, authorized to establish or modify taxes or fees, must follow the outlined requirements before the consideration date of a new or increased tax or fee.
7. Adds specified fees are exempt from the requirements including:
 - a) water and wastewater rates or rate components;
 - b) fees for registration-based classes, programs or activities provided by the municipality;
 - c) court fees established under state law;
 - d) fees or charges established under federal law for public housing or other federally funded programs; and
 - e) other fees whose amounts are set by state or federal law.

8. Stipulates information relating to specified exemptions must be posted on the municipality's website and if utilized, distributed through social media or other electronic communication tools.
9. Modifies provisions allowing the governing body of a municipality to order the construction or reconstruction of railroads when the public interest or convenience requires.
10. Requires a municipality to prepare a notice of intent, if joining with any other city, town, improvement district or sanitary district, to levy an assessment to improve streets running upon or along the boundaries of the city or town.
11. Makes technical and conforming changes.
12. Becomes effective on the general effective date.

Amendments Adopted by Committee of the Whole

- Allows the governing body of a municipality to order the construction or reconstruction of railroads when the public interest or convenience requires.
- Requires a municipality to prepare a notice of intent to levy an assessment to improve streets running upon or along the boundaries of the city or town.

House Action

CMA	2/15/16	DP	8-0-0
3 rd Read	2/25/16		46-14-0
Final Read	5/6/16		54-0-6

Senate Action

GOV	3/16/16	DP	7-0-0
3 rd Read	4/14/16		29-0-1

Signed by the Governor 5/18/16
Chapter 335

Prepared by Senate Research
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RH/JO/rf